

STATE OF WASHINGTON



OFFICE OF  
INSURANCE COMMISSIONER

In the Matter of	)	
	)	
PRINCIPAL LIFE INSURANCE	)	No. D 2000-110
COMPANY,	)	CONSENT ORDER LEVYING A FINE
	)	
An Authorized Insurer.	)	

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FINDINGS OF FACT:

1. Principal Life Insurance Company ("Principal" or the "Company") is a life and disability carrier licensed to do business in the State of Washington.
2. The Office of the Insurance Commissioner ("OIC") conducted a market conduct examination of Principal for the period of January 1, 1992 through December 31, 1996. The examination focused on the Company's sales, marketing, agent licensing, and replacement practices. The Principal examination report was adopted on December 17, 1999.
3. The OIC looked at a representative sample of the policies Principal issued in Washington State. The agency used sampling techniques approved by the National Association of Insurance Commissioners to establish its findings.
4. Seven of the advertising pieces sampled compared tax-deferred earnings before taxes with non-tax-deferred earnings after taxes or failed to recognize taxes payable when the funds are withdrawn.
5. Principal's life illustrations included rates that were above and below the amount that was credited to policyholders.
6. Principal mentioned its assets without stating its liabilities in thirteen of the advertising pieces sampled.
7. In twelve of the advertising pieces sampled, Principal referred to the rating it received from three rating services without explaining how its rating compared with the highest rating available. In a brochure, Principal utilized a rating evaluation that was outdated.
8. There were fifty-four instances of failure to follow Washington regulations concerning replacement of existing insurance.

9. Principal cooperated fully with the OIC examiners and began to take remedial action early in the examination period. The Company also took additional remedial actions prior to the resolution of this matter.

#### CONCLUSIONS OF LAW:

1. Principal's use of seven misleading advertisements violated RCW 48.30.090 and WAC 284 – 23-040.
2. Principal's use of misleading policy and annuity illustrations violated RCW 48.30.090 and WAC 284 – 23 - 040.
3. Principal's use of misleading financial information in thirteen of the advertisements examined violated WAC 284-23-080.
4. Principal's deceptive use of rating evaluations in twelve of the advertisements and one brochure examined violated WAC 284 –30-660.
5. Principal's failure to follow procedures for replacing existing insurance coverage violated WAC 284 – 23 – 440.
6. RCW 48.05.185 authorizes the Commissioner to impose a fine in lieu of the suspension or revocation of a Company's certificate of authority.

#### CONSENT TO ORDER

Principal Life Insurance Company hereby accepts the foregoing Findings of Fact and Conclusions of Law. Principal Life Insurance Company acknowledges its duty to comply fully with the applicable laws of the State of Washington.

The Commissioner has offered a settlement in lieu of suspending or revoking Principal Life Insurance Company's certificate of registration.

By agreement of the parties, the OIC will impose a fine of Two Hundred Thousand Dollars on Principal Life Insurance Company and will suspend One Hundred Thousand Dollars of the fine on condition that:

1. Principal Life Insurance Company pay One Hundred Thousand Dollars of the fine within 30 days of the date of entry of this Order;
2. Principal Life Insurance Company implement and comply with all the provisions of the Compliance Plan attached hereto as Exhibit A.
3. Principal Life Insurance Company commit no further violations of the statutes and regulations that are the subject of this Consent Order for a period of two years from the date on which this Order is entered. The OIC will not impose the balance of the fine nor proceed against Principal Life Insurance Company's certificate should it commit isolated,

de minimis, violations of the statutes and regulations that are the subject of this Consent Order during the suspense period, as determined by the OIC. Principal Life Insurance Company commits to rectifying such violations promptly once they are discovered. With respect to the Examination Period (January 1, 1992 through December 31, 1996), the OIC will not re-examine Principal Life Insurance Company for matters included in the Examination Scope and the Examination Report, as adopted on December 17, 1999.

The fact that Principal Life Insurance Company has agreed to settle this matter and has signed this Consent Order does not constitute and should not be construed to constitute an admission of the Company's liability.

EXECUTED and AGREED this \_\_\_\_\_ day of \_\_\_\_\_, 2000.

PRINCIPAL LIFE INSURANCE COMPANY

Title: \_\_\_\_\_

Signed: \_\_\_\_\_

ORDER

Pursuant to RCW 48.05.185, the Insurance Commissioner hereby imposes a fine of Two Hundred Thousand Dollars upon Principal Life Insurance Company, and suspends One Hundred Thousand Dollars of the fine under the Conditions set forth in the Consent to Order section of this Consent Order. One Hundred Thousand Dollars of the fine must be paid in full within thirty days of the date of entry of this order. Failure to pay this portion of the fine and to comply with the stated Conditions shall constitute grounds for recovery of the full fine, including the suspended portion, and for revocation of Principal Life Insurance Company's certificate of authority in a civil action brought on behalf of the Insurance Commissioner by the Attorney General of the State of Washington.

ENTERED AT OLYMPIA, WASHINGTON, this \_\_\_\_\_ day of \_\_\_\_\_, 2000.

DEBORAH SENN  
Insurance Commissioner

By: \_\_\_\_\_  
Carol Sureau  
Deputy Commissioner, Legal Affairs  
Office of the Insurance Commissioner